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IOWA UTILITIES BOARD
IOWA DEPARTMENT OF COMMERCE

March 31, 2000

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Ms. Magalie R. Salas, Secretary
Federal Communications Commission
TW-A325
445 12th St. SW
Washington, DC 20554

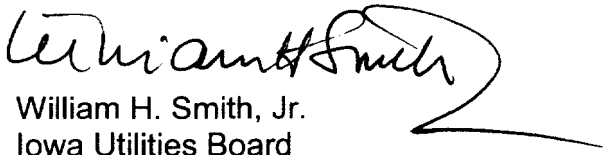
RE: In the Matter of Access Charge Reform, CC Docket No. 96-262, Price Cap
Performance Review for Local Exchange Carriers, CC Docket No. 94-1. Low
Volume Long Distance Users, CC Docket No. 99-249, Federal, State Joint Board
on Universal Service, CC Docket No. 96-45

Dear Ms. Salas:

Enclosed for filing in the above docket is an original and 11 copies of the Comments of
the Iowa Utilities Board.

One additional copy has been included to be date-stamped and returned in the self-
addressed envelope.

Sincerely,


William H. Smith, Jr.
Iowa Utilities Board

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of

Access Charge Reform)	CC Docket No. 96-249
Price Cap Performance Review for Local Exchange Carriers)	CC Docket No. 94-1
Low Volume Long Distance Users)	CC Docket No. 99-249
Federal State Joint Board on Universal Service)	CC Docket No. 96-45

COMMENTS OF THE IOWA UTILITIES BOARD

The Iowa Utilities Board (IUB) respectfully submits to the Federal Communications Commission (FCC) comments on the Coalition for Affordable Local and Long Distance Service (CALLS) Modified Plan in response to the FCC Public Notice (DA 00-533) released on March 8, 2000.

I. Introduction and Summary

The modified CALLS proposal amends the negotiated agreement among AT&T, Bell Atlantic, Bell South, GTE, Sprint, and SBC previously submitted to the FCC. The modified CALLS plan, like the previous plan, is a five-year proposal that would apply to those carriers who voluntarily participate.

Consistent with the original plan the modified plan is composed of three major components. The first component is the restructuring of common line revenue recovery. The rate elements, Subscriber Line Charge (SLC),

Presubscribed Interexchange Carrier Charge (PICC) and the Carrier Common Line Charge (CCLC) would be merged into a single SLC. The second component establishes a \$650 million explicit universal service fund (USF) that would be portable to all eligible telecommunications carriers. The third component sets a target rate for traffic-sensitive switched access rates that reduces switched access rates by 2.1 billion dollars.

In reply comments filed Dec. 3, 1999, the IUB iterated several concerns with the Calls proposal. Those concerns were:

- the restructure of access charges without a comprehensive review of costs;
- shifting traffic sensitive charges to a non traffic-sensitive end user charge;
- establishing the size of a universal service fund on the basis of a negotiated agreement;
- the potential for over recovery of common line charges if the SLC is increased and customers are also billed minimum usage charges;
- the voluntary aspect of the plan.

The IUB commends the CALLS members for listening and responding to many of the concerns raised by the IUB and other parties. The following are the modifications to the original plan:

- lower caps on SLCs;

- an interim cost review to verify the SLC caps for residential and single line business;
- a \$2.1 billion reduction in switched access usage rates on July 1, 2000, if all companies participate; and a nearly 50% reduction in switched access rates over five years, without shifting local switching costs to subscriber charges;
- elimination of minimum usage charges for AT&T basic schedule long distance callers, and preservation of a no-minimum plan by Sprint, provided there is a \$2.1 billion reduction in switched access usage rates as of July 1, 2000;
- guaranteed rate reductions in special access services for the first four years of the plan;
- a commitment by CALLS to work with the FCC Consumer Information Bureau to develop a consumer education plan.

While some of the IUB concerns have been alleviated there are still unanswered questions. The IUB urges the FCC to consider the following when evaluating the merits of the modified CALLS plan.

II. Common Line Rate Restructuring

In the modified plan the CALLS members propose that the FCC initiate a proceeding to review the SLC rate in July of 2001, after the SLC cap reaches five dollars. The purpose of the proceeding would be to verify that the five-dollar cap reflects the forward-looking costs in the zones where it applies. The IUB

commends the CALLS members for this modification to the plan. A review of the SLC costs addresses the concerns expressed in the IUB comments. The members' commitment to a review based upon forward-looking non traffic-sensitive costs, responds to our concerns that the SLC rate should reflect the amount and type of underlying costs.

As stated in our previous comments, if properly related to costs, there are distinct benefits to the consolidation of the SLC, PICC, and CCLC into a single rate element. Customers do not like the profusion of line items added to their bills. A single line charge would be better understood and accepted by customers. It would allow better comparison of competitive service offerings, both local and long-distance. It would allow more meaningful regulatory evaluation and alignment with cost.

III. Toll Rate Reductions and Low Volume Charges

In its previous comments, the IUB expressed concern that the proposed increases in the SLC would allow redundant recovery of some of the same cost elements in the small volume charges. Small volume charges are, by their nature, related to the fixed costs of maintaining service that cannot be covered by usage-based charges at low usage levels. These fixed costs should not be recovered twice, in the low-volume customer charge and also in an increased SLC.

The modified CALLS plan contains a commitment by two long distance companies, AT&T and Sprint to eliminate low volume usage charges and to pass on the access charge reductions to customers. These commitments on the

surface are laudable. However, the commitments are conditioned upon the actions of other carriers and the implementation of the \$2.1 billion switched access reduction by July 1, 2000. Unless these commitments are kept customers will receive no benefits from the CALLS plan. The IUB urges the FCC to ensure that these commitments cannot be avoided.

IV. Calculation of Universal Service Funds

The modified CALLS proposal would establish a \$650 million USF to recover common line cost that would exceed the \$6.50 SLC cap. In its previous comments the IUB urged the FCC to ensure that any USF support is based upon its established forward-looking cost principles. The IUB and other parties were concerned that no financial support was filed with the proposal. Without cost support there is no way of judging whether \$650 million will over or under compensate carriers for common line costs in excess of SLC revenues.

In the modified CALLS proposal AT&T states that the \$650 million fund can be calculated using the FCC's Universal Service High Cost Proxy Model. The filing however, does not supply any basis for this statement. The CALLS members state that the \$650 million fund replaces current implicit subsidies. The IUB urges the FCC to review the calculation of the USF support based upon previously established USF cost principles. Universal service should be supported but at no more or no less than the cost to provide basic service and the need for affordable rates in high cost areas.

V. Mandatory Participation in CALLS Plan

The IUB remains concerned with the voluntary aspect of the plan. It is not at all clear how long distance companies such as AT&T or SPRINT will offer services to customers in the geographic areas of the companies that do not participate in the plan. US West, a service provider in Iowa, is not among the CALLS members. Will AT&T or Sprint engage in national advertising of plans or pricing that will not be available in Iowa? If so, this would be very confusing to Iowa customers. The IUB recognizes some of the benefits the CALLS proposal could provide to customers. If the FCC concludes the concepts in the CALLS plan are in the public interest then it should require all companies to participate.

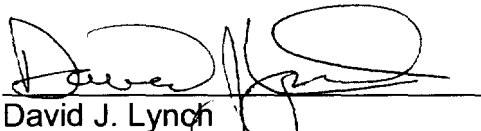
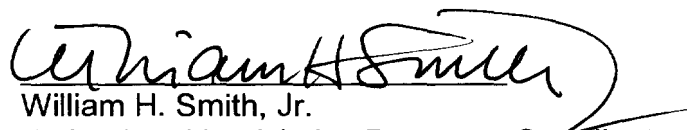
VI. CONCLUSION

The IUB agrees with the CALLS members that there is a need for access charge reform. The development of packet-based services and networks makes it improbable that the current interstate access charge structure can be sustained. The distinctive treatment of pricing and regulation for voice and data cannot be sustained in the future as packet-based services eliminate the ability to distinguish between voice and data. The modified CALLS plan moves access charges to a rate design that is similar to competing service providers on packet switched networks

The IUB has three major concerns that it urges the FCC to address. First the IUB asks that the FCC ensure that the commitments made by the long distance carriers are implemented and sustained. The second concern is the calculation of the Interstate Access Universal Service Fund. Any new universal

service fund should be calculated consistent with the principles established in the FCC's current non rural universal service fund. Finally, the IUB requests that the FCC develop an access reform plan that will be applicable to all companies. If the FCC finds that the modified CALLS plan is beneficial to consumers, then those benefits should be available to all consumers regardless of their geographic location or local service provider.

Respectfully submitted,


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Federal and Legislative Programs Coordinator

March 31, 2000

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